

# HOMEBUYER MORTGAGE GUIDE



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# BUYING YOUR FIRST HOME



We all know the old line about **LOCATION.**

But buying a home takes **RESEARCH** too.



## YOU WILL WANT TO DETERMINE:

**How much you can comfortably afford.** The pre-approval process, which entails full documentation and credit check, is the best way to determine the numbers that are right for you. Early in your search, you can identify any potential hurdles and focus only on homes truly available to you.

**How much cash you need to close.** Knowing how much cash you'll need to close and, ideally, consolidating those funds into one account will help to prevent stress and ease the process later.

**What kind of property you really want.** Single family, multi-family, condo, co-op, Victorian, Colonial, Cape, split,

ranch, cottage, cabin, teepee...home types and legal distinctions are plentiful. Whether you are open to several styles or have your heart set on only one, narrowing your search will save time and prepare you to act when the perfect home hits the market.

**Where you want to be and how long you'll want to be there.** You'll want to strike a balance between buying what you can afford and buying what will accommodate your needs for longer than just the first few years. Assess your plans for growing your family and how your income might grow to match. Planning ahead is especially important in today's market, when trading up tomorrow may mean both a more expensive home and a higher mortgage rate.

**How the process works.** This is a time when the Internet doesn't have all the answers. The process varies for many reasons, including area and custom. Generally, purchases include: Offer, Acceptance, Inspections, Contract, Loan Application, Appraisal, Title, Loan Approval, Closing/Funding and Moving In. Many little steps can fall in between, and the process won't always occur in a given order. It pays to speak with local experts early.

**Reach out when you're ready, and we'll help you understand the nuances of your market today.**



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# Mortgage DOs and DON'Ts

## DO:

### KEEP ALL RECORDS IN GOOD ORDER.

**AVAILABILITY** – Keep your financial records close at hand in case updates are requested.

**INCOME** – Be aware that underwriters typically verify your income and tax documents through your employer(s), CPA, and/or IRS tax transcripts. Hold onto new paystubs as received.

**ASSETS** – Continue saving incoming account statements. Keep all numbered pages of each statement. Ex. 8 of 8.

**GIFTS** – If you're receiving any gift money from relatives, they'll need to sign a gift letter (we'll provide) and an account statement evidencing the source, which must be "seasoned" funds.

**CURRENT RESIDENCE** – If you're renting, continue paying your rent on time and save proof of payment. If you're selling your current residence, be prepared to show your HUD-1 Settlement Statement. If you'll be renting your home, you may need to show sufficient equity, a lease and receipt of the first month's rent and security deposit.

**KEEP YOUR CREDIT SHINING.** Continue making payments on time. Your credit report may be pulled again, and any negative change to your score could cause you to lose your approval and your home.

**UNDERSTAND THAT THINGS HAVE CHANGED.** Underwriters require more documentation than in the past. Even if requests seem silly, intrusive or unnecessary, please remember that if they didn't need it, they wouldn't ask.

## DON'T:

**APPLY FOR NEW CREDIT.** Changes in credit can cause delays, change the terms of your financing or even prevent closing. If you must open a new account (or even borrow against retirement funds), please consult with me first.

**CHANGE JOBS DURING THE PROCESS.** Probationary periods, career or even status changes (such as from a salaried to a commissioned position, leave of absence or new bonus structure) can be subject to very strict rules.

**MAKE UNDOCUMENTED DEPOSITS.** Primarily large but sometimes even small deposits must be sourced unless they are identified. Make copies of checks and deposit slips. Keep your deposits separate and small. Avoid depositing cash.

**WAIT TO LIQUIDATE FUNDS FROM STOCK OR RETIREMENT ACCOUNTS.** If you need to sell investments, do it now and document the transaction. Don't take the risk that the market could move against you leaving you short of funds to close.

**EVER BE AFRAID TO ASK QUESTIONS.** If you're uncertain about what you need or what you should do, I'm here to help you through the process, even long before you intend to buy.



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# MATTRESS MONEY

## And other funds to purchase

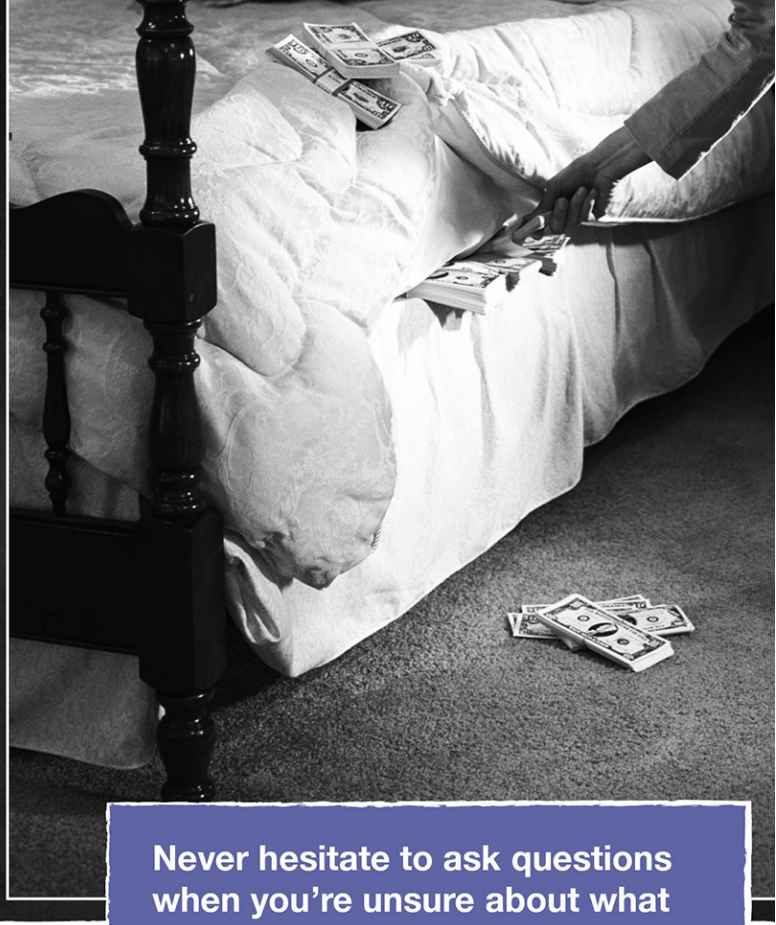
With vigilant focus on the source of funds for closing mortgage loans, it's important to know what's acceptable. Here's what you need to know and what you'll need to provide:

**Mattress Money** or any "cash on hand" is not acceptable. All funds must be "seasoned," which means your money needs to be in an institutional account (bank, credit union, brokerage, etc.). You will need to provide all pages of up to three months of consecutive statements for proof that these funds are yours.

**Gift Funds** are OK with a signed "gift letter" (a form we provide) and evidence of the donor's ability (a statement showing sufficient funds). Later, we'll need copies of the check, deposit slip and account statement to show the transfer into your account.

**Assets Being Sold**, such as a car, boat, collectible or anything of value you are selling, require proof of ownership (such as a registration or title) and evidence of value (blue book value or appraisal). After the sale, provide copies of the receipt and the check and deposit slip showing the transfer of funds to your account.

**Other Examples** include loans from employers or against retirement savings, grants, inheritances, proceeds of sale from other property, loan paybacks and winnings. Be prepared to show the source of funds, evidence of transfer into your



Never hesitate to ask questions when you're unsure about what will work and what will not.

account and any supporting documentation of value, terms, service provided, etc.

**TIP:** If you have time and want to minimize paperwork, consolidate all funds into one account at least two or three months prior to closing. Save any and all evidence of transfers and deposits, and keep activity to a minimum.



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# Saving for a Home?

## When prices are rising, why not let the market help you?

It's great to save up for a large down payment of 20% or more. Yet, when prices are on the rise, saving quickly enough to keep pace can be extremely difficult. In times such as these, why not let the market build equity for you instead?

**Building equity.** Owning a home in an appreciating market can build equity faster than most people can save. For example, a \$200,000 home that appreciates by 6% gains \$1,000 per month in equity.

**Getting ahead of rising prices and rates.** Purchasing with a small down payment often means you're required to purchase mortgage insurance (MI or PMI for Private MI). Your total monthly payment will be higher; however, the cost of mortgage insurance today can be a lot less expensive than buying a more expensive home at a potentially higher rate tomorrow.

**Diverting rent payments to equity.** If you're currently renting, chances are good your monthly expense is already similar to a payment to own. When you consider that part of your payment is a reduction of principal balance, the real net cost can be far less.

**Using appreciation to your advantage.** While you're saving to buy, appreciation (or rising home value) works against you. After you've purchased your home, rising value works with you to build equity and may even mean you can eliminate the cost of mortgage insurance more quickly.

**Earning tax advantages.** Many homeowners enjoy income tax savings based on the mortgage interest and real estate taxes they pay each year. Talk to your tax professional to see if tax advantages may reduce the actual cost of owning for you, too.

It pays to view MI as a means to an end. In all likelihood, it will be a temporary cost, which may pay for itself over and over again.

If you have questions about MI, appreciation and interest rates, reach out. We'll be happy to share our experience with you today.

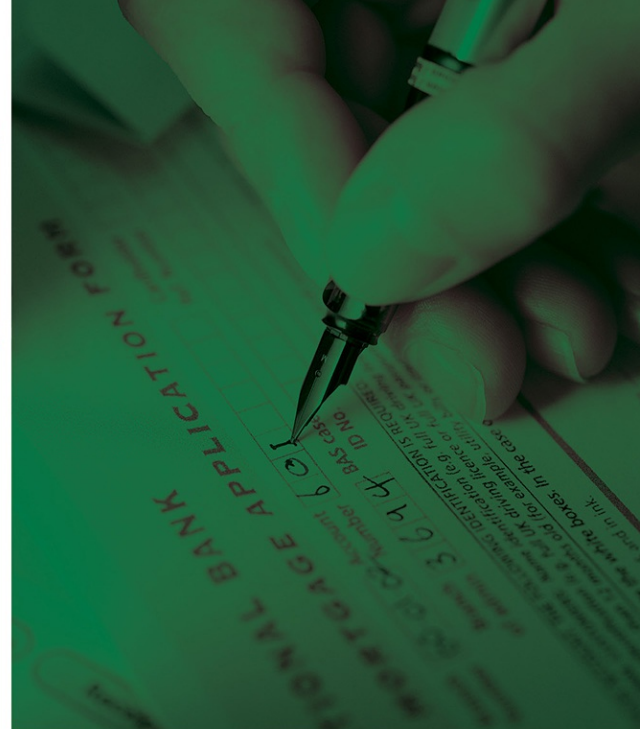


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# PLANNING AHEAD FOR THE PERFECT MORTGAGE APPLICATION

## Preparing in Advance Will Save You Time and Trouble Once You've Started Making Offers



### INCOME

Provide your last two paystubs along with your W2s and Federal tax returns for the last two years (include all schedules). State returns are not needed. If you are self-employed, ask me for the additional documentation requirements. If you receive bonus or commissions or have changed your job or position, let's talk.

### ASSETS

Combine all the funds needed to close into one account at least two months prior to your application. Be sure to document any other deposits here as each could be scrutinized.

### Your Statements

Save all pages of your asset statements, even if some are blank or are just advertisements.

### Deposits

Make copies of checks and deposit slips to prove they are not borrowed money. Deposit checks individually. Don't deposit cash without clear proof of the source.

### Liquidation

If you are going to sell stocks, bonds, investments or borrow against a retirement account, do it now. Cashing out now may cost you a few dollars in additional gains, but it also protects against losses.

### Current Housing

- If you own and are selling, provide a copy of the HUD-1 settlement statement.
- If you own and are not selling, you'll need to qualify for both homes or meet the requirements for renting the current.
- If you are renting, show 12 months of canceled checks demonstrating timely payments and/or written verification from your management company. Ideally, pay your rent on the same day each month on or prior to its due date.
- If you live with family, you may need a letter stating that you live rent-free.

### CREDIT

Check your credit report at [www.annualcreditreport.com](http://www.annualcreditreport.com). Identify any erroneous info now and consult with us for the correct action to take. If you co-signed a loan or are being reimbursed for a loan that's in your name, you'll need at least six months of checks to exclude it. **Avoid new credit or inquiries.** These can lower your score and increase your rate.

### EMPLOYMENT STABILITY

Ideally, you'll have two years or more with your current employer. Consult with us before changing employers, position or method of compensation. For example, don't switch from salary to commissions.

### HELP IN ADVANCE

I'm here to help you now, too, not just once you've found a home. Contact me with your questions.



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# Wherever You Are. Whenever You Need.

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## We're here for you and ready to help!



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